

ELLIOTT & ELLIOTT, P.A.
ATTORNEYS AT LAW
1508 Lady Street
COLUMBIA, SOUTH CAROLINA 29201
selliott@elliottlaw.us

SCOTT ELLIOTT

TELEPHONE (803) 771-0555
FACSIMILE (803) 771-8010

November 14, 2011

E-FILED

Jocelyn Boyd, Esquire
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

RE: Application of Carolina Water Service, Inc. for adjustment of Rates and Charges and
Modification of Certain Terms and Conditions for the Provision of Water and Sewer
Service
DOCKET NO.: 2011-47-WS

Dear Ms. Boyd:

Enclosed please find a Petition for Rehearing submitted on behalf of Carolina Water in the above-captioned docket which I would ask you to file. By copy of this letter we are serving all parties of record.

If the Commission or counsel has questions, please feel free to contact me.

Sincerely,

Elliott & Elliott, P.A.



Scott Elliott

SE/mlw

cc: All Parties of Record electronically and U.S. Mail

BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2011-47-WS

IN RE: Application of Carolina Water Service,)
Incorporated for Approval of an Increase)
In its Rates for Water and Sewer Services)
Provided to All of Its Service Areas in)
South Carolina)
_____)

**PETITION FOR REHEARING
OR RECONSIDERATION AND,
ALTERNATIVELY, REQUEST
FOR APPROVAL OF BOND**

Pursuant to S.C. Code Ann. § 58-5-330 and S.C. Code Reg. § 103-854, Carolina Water Service, Inc. (“Carolina Water” or “the Company”) petitions the Public Service Commission (“the Commission”) for rehearing and/or reconsideration of the matters set forth in its order of October 24, 2011 on the grounds specified in this application. Alternatively, pursuant to S.C. Code Ann. §58-5-240(D), Carolina Water requests approval of a bond to allow it to place rates into effect pending appeal. In support of the foregoing, the Company would respectfully show as follows:

INTRODUCTION

On October 24, 2011, the Commission issued an order in which the Commission completely denied Carolina Water’s rate increase request on the grounds of “widespread and pervasive problems with regard to quality of service...” Order No. 2011-784 (“the Order”). The evidence before the Commission does not support a conclusion that there are widespread and pervasive problems with the quality of Carolina Water’s service to its customers or that the Company has been indifferent to service issues.

Carolina Water agrees that all customer complaints, no matter how few, are cause for concern. The Company presented extensive evidence of its ongoing and significant investment

in efforts to respond to and eliminate customer service issues. Moreover, there is abundant, undisputed evidence establishing that Carolina Water has made \$10 million worth of capital investments to improve and maintain service since 2005 and its expenses have increased by 13%. As the Commission is no doubt aware, however, Carolina Water will be unable to raise capital to continue to make such investments if the Commission will not allow the Company to recover that investment or take into account increases in expenses.

For these reasons as well as the reasons more fully set out below, Carolina Water respectfully requests the Commission to reconsider the Order and grant the rate relief the Company has requested.

PROCEDURAL BACKGROUND

This matter is before the Commission on the Application of Carolina Water for approval of a new schedule of rates and charges and modifications to certain terms and conditions for the provision of water and sewer services for its customers in South Carolina. Carolina Water filed its Application on April 15, 2011, pursuant to S.C. Code Ann. § 58-5-240 and S.C. Code Ann. Regs. §§ 103-503, 103-703, 103-512.4.A and 103-712.4.A.

Petitions to Intervene were subsequently filed on behalf of the Forty Love Point Homeowners' Association ("Forty Love") and Midlands Utility, Incorporated ("Midlands"). The South Carolina Office of Regulatory Staff ("ORS"), a party of record pursuant to S.C. Code Ann. § 58-4-10(B), made on-site investigations of Carolina Water's facilities, conducted a thorough audit of Carolina Water's books and records, issued data requests, and gathered other detailed information concerning Carolina Water's operations.

The Commission held three separate public hearings in Lexington, York and Richland counties for the purpose of allowing Carolina Water's customers to present their views regarding

the Application.¹ On September 7, 2011, an evidentiary hearing was convened before the Commission in its offices in Columbia with the Honorable John E. Howard presiding.

The Company presented the direct and/or rebuttal testimony of the following seven (7) witnesses: Lisa Sparrow, President and Chief Executive Officer, Patrick Flynn, Southeast Regional Director; Steven M. Lubertozzi, Executive Director of Regulatory Accounting & Affairs; Karen Sasic, Director of Customer Care and Billing; Bob Gilroy, Regional Manager; Mack Mitchell, Regional Manager; and Kirsten Weeks, Manager of Regulatory Accounting. The Company also presented the testimony of an expert witness on rate of return, Pauline M. Ahern, CRRA, Principal of AUS Consultants.

Forty Love presented the testimony of Frank Rutkowski, Kim Nowell, and Nancy Williamson, residents of the Forty Love Point neighborhood. Midlands presented the direct testimony of Keith G. Parnell. By stipulation of the parties, ORS submitted into the record the direct and surrebuttal testimony of its employees Willie J. Morgan, P.E., Program Manager for its Water and Wastewater Department; Dawn M. Hipp, Director of the Telecommunications, Transportation, Water and Wastewater Department; Sharon G. Scott, Senior Manager for Rate Cases; and Dr. Douglas H. Carlisle, Jr., Economist. The evidentiary hearing was completed on September 8, 2011. On September 19, 2011, the Commission heard closing arguments.

At the hearing, the Company presented its case, and the ORS proposed 41 accounting adjustments to the Carolina Water's application. T.pp. 1252-1261. The Company agreed with

¹ These hearings were held July 13, 2011, in Lexington, August 4, 2011, in Lake Wylie, and September 7, 2011 at the offices of the Public Service Commission in Columbia, SC. Pursuant to directions of the Commission's Docketing Department, notice of these hearings was given to affected customers by the Company as reflected in an affidavit filed by the Company.

20 of the ORS's proposed adjustments. T.p. 889: 8-12. The parties presented testimony in support of their respective positions with regard to the remaining 21 adjustments. T.p. 889: 1-6.

Carolina Water presented expert testimony of Pauline Ahern who testified that a fair return on equity would be between 10.8 % and 11.4 %, resulting in a return on rate base range of 8.7% and 9.0%. T.p. 462. The ORS also offered expert testimony. ORS's witness, Dr. Douglas Carlisle, testified that a fair return on equity range is 9.02% to 10.03%. T.p. 1348. Based on Dr. Carlisle's testimony, the ORS argued to the Commission that the low end of Dr. Carlisle's range of equity (9.02%) should be used to set the Company's rate. T.pp. 1427, 1432.

The Commission issued its Order on October 24, 2011. In the Order, the Commission denied Carolina Water's requested rate increase **in its entirety** because it found the Company's customer service "inadequate and unacceptable." Order, p.1. In support of its ruling, the Commission made the following factual findings concerning the Company's customer service: 1) that the Company "failed to repeatedly to bill its customers regularly and accurately for its services," 2) "many customers testified about significant problems with the quality of the water delivered by the Applicant," 3) "some customers report sewer problems and inadequate response to service calls seeking remedies," 4) "some customers report generally poor or unresponsive customer service from the Company's out-of-state customer service call centers, and complain of having no customer service personnel physically present in the State." Order, p. 8. The Commission also found that the "current revenues collected under the existing schedule of rates and charges afford the Company a positive return on rate base and rate of return on equity." Order, p. 8.

On the basis of these factual findings the Commission concluded as a matter of law that "the widespread and pervasive problems with regard to quality of service in this case are

sufficient to support a denial of the Applicant's rate request." Order, p. 21. The Commission also concluded that "[b]ecause the Company's current rates result in sufficient revenue to generate a positive rate of return sufficient to service its debt and provide a return to equity holders, the denial of the requested increase cannot be characterized as confiscatory and therefore is not violative of the Fifth and Fourteenth Amendment[s] to the Constitution of the United States." Id. Finally, the Commission concluded that the Company "shall continue to have the opportunity to earn an operating margin of 9.86%, a rate of return on rate base of 7.64% and a rate of return on equity of 9.40%," because these numbers "were established in Order No. 2008-855." Order, p. 22.

Carolina Water hereby submits this petition for rehearing and/or reconsideration of various factual and legal issues raised in this matter.

GROUND FOR REHEARING

Carolina Water respectfully submits that the Commission's findings of fact and conclusions of law do not support a complete denial of its application.

- 1. Neither the evidence in the record nor the foreign law cited by the Commission supports the Commission's complete denial of Carolina Water's request for a rate increase.**
- 2. The Commission has overlooked in its entirety evidence of the Company's significant efforts and \$10 million of capital investment to address service and quality issues.**
- 3. The Commission has failed to adhere to any established lawful ratemaking methodology in arriving at its decision.**
- 4. The Commission's conclusion that the Company's current revenues are not confiscatory is not supported by the record in this case.**

In light of these grounds Carolina Water requests that the Commission grant rehearing and grant the Company rate relief as supported by its testimony at the hearing.

DISCUSSION

1. Neither the evidence in the Record nor the foreign law cited by the Commission supports the Commission's complete denial of Carolina Water's request for a rate increase.

The Commission declared in its Order that it has the authority to issue a complete denial of a rate increase where the evidence demonstrates that the utility's service is at an "unacceptable" level. In essence, the Commission has determined it may deny a rate increase as a punitive measure. By issuing a wholesale denial, the Commission has breached its duty to set a just and reasonable rate in violation of South Carolina law.

The South Carolina Supreme Court has held that the Commission's duty to fix "just and reasonable" rates includes a duty to "distribute fairly the revenue requirements [of the utility], considering the price at which the company's service is rendered and the quality of that service." Seabrook Island Property Owners Ass'n v. S.C. Public Serv. Comm'n, 303 S.C. 493, 499, 401 S.E.2d 672, 675 (1991). Just this year the Supreme Court again stated that the Commission "is not precluded from considering fairness, provided it does so in the context of an objective and measurable framework." Utilities Services of S.C., Inc. v. S.C. Office of Reg. Staff, 392 S.C. 96, 113, 708 S.E.2d 755, 764-65 (2011).

Here, however, the Commission has abdicated its duty to fix just and reasonable rates. The Commission has unfairly focused solely on a fraction of one percent of customer complaints in comparison to the total customer base, in a one-sided fashion, and failed to take into consideration any of the evidence regarding Carolina Water's capital investments or the Company's attempts to directly and positively address customer service complaints and remedy quality issues. Thus, the Commission has not rendered its decision "in the context of an objective and measurable framework." Id. Instead, the Commission improperly viewed the

evidence “blindly from one side of the case.” Palmetto Alliance, Inc. v. S. Carolina Pub. Serv. Comm'n, 282 S.C. 430, 432, 319 S.E.2d 695, 696 (1984) (where the Court found that “substantial evidence” is not “evidence viewed blindly from one side of the case”).

To support its decision that Carolina Water “deserves no rate increase,” (Order, p.1), the Commission relies on the following three foreign cases: Nat'l Utilities, Inc. v. Pennsylvania Pub. Util. Comm'n, 709 A.2d 972, 975 (Pa. Commw. Ct. 1998); Petition of Valley Rd. Sewerage Co., 666 A.2d 992 (N.J. App. Div. 1995); and State of N.C. ex rel. Utilities Comm'n v. Gen. Tel. Co. of Southeast, 208 S.E.2d 681 (N.C. 1974). All of these cases are distinguishable from the instant case.

First, the Pennsylvania decision was based primarily on a violation of a state statute which expressly permits the Pennsylvania Commission to reject a rate increase for inadequate service. See Nat'l Utilities, Inc. v. Pennsylvania Pub. Util. Comm'n, 709 A.2d at 976; 66 Pa. Cons. Stat. Ann. § 526 (“The commission may reject, in whole or in part, a public utility’s request to increase its rates where the commission concludes, after hearing, that the service rendered by the public utility is inadequate in that it fails to meet quantity or quality for the type of service provided.”).

South Carolina has no such analogous statute. Instead, as the dissenting Commissioners Fleming and Hall recognized, the Supreme Court of South Carolina has recently and very clearly held that:

[T]he concerns raised at the public hearings were not sufficient to overcome the presumption of reasonableness as to *all* of Utility’s claimed expenditures. Thus, rather than denying Utility’s rate application in its entirety, the PSC should have adjusted Utility’s application to reflect only those expenditures the PSC determined should be passed on to consumers.

Utilities Services, 392 S.C. at 111-12, 708 S.E.2d at 764 (emphasis in original). Pursuant to Utilities Services, therefore, a complete denial is simply not justified under South Carolina

precedent. The general rule is that the expenses of a Utility are presumed to be reasonable when incurred in good faith (and in this case, there has been no evidence submitted that the company's investments were made in anything but good faith). See, e.g., id.; Kiawah Prop. Owners Group v. The Pub. Serv. Comm'n of S.C., 357 S.C. 232, 237, 593 S.E.2d 148, 151 (2004); Hamm v. South Carolina Pub. Serv. Comm'n, 309 S.C. 282, 422 S.E.2d 110 (1992) While the quality of service rendered is necessarily a factor to be considered in fixing the 'just and reasonable' rate, it is but one factor of many for the Commission to evaluate. See Patton v. S.C. Pub. Serv. Comm'n, 280 S.C. 288, 293, 312 S.E.2d 257, 260 (1984) (where the Court upheld a rate increase in an amount lower than that requested by the Utility, in part because of quality of service issues).²

The Commission also relied on New Jersey law for the complete denial of a rate increase. See Petition of Valley Rd. Sewerage Co., 666 A.2d 992 (N.J. App. Div. 1995). The facts underlying the Valley Rd. decision are readily distinguishable from those of the instant case. In Valley Rd., the evidence – which was undisputed – showed that the sewerage company had: (1) suffered from 20 “years of financial mismanagement;” (2) “never reported a profit;” (3) failed to pay overdue taxes; and (4) “an appalling record of environmental violations.” Id. at 993-95. The Valley Rd. Court concluded that “the hearing transcripts fairly reek of chronic corporate mismanagement resulting in the company’s abysmal failure to furnish adequate service to its customers.” Id. at 995.

² See also US West Communications, Inc. v. Washington Utilities & Transp. Comm'n, 949 P.2d 1337, 1358 (Wash. 1997) (*en banc*) (where the Washington Supreme Court affirmed a reduction of rate when “the Commission set US West's rate of return *within the range of reasonableness*, and it considered US West's poor service as one of many factors in determining the appropriate rate of return within that range.”).

Against that extreme factual backdrop, the Valley Rd. Court held that “[n]either the constitution nor our statutes require the public ‘to pay for the consequences of lazy or inefficient management.’” Id. (citation omitted). Thus, the New Jersey Court affirmed the decision to deny the rate increase.

The record here amply supports that Carolina Water is financially well managed, is compliant with environmental regulations, and responds to its customers’ complaints about service and quality issues. Thus, there is no justifiable comparison of the Carolina Water to the utility in the Valley Rd. opinion. While there is evidence in the Record that the Company experienced billing problems and customers in a few areas raised aesthetic concerns with water quality, there is clearly no evidence of the “chronic corporate mismanagement” which was ever-present in Valley Rd. Therefore, the New Jersey decision is inapposite to this case.

Finally, the Commission relied on State of N.C. ex rel. Utilities Comm'n v. Gen. Tel. Co. of Southeast, 208 S.E.2d 681 (N.C. 1974), to justify its decision of a total denial of rate increase. This North Carolina case involved a telephone company that had a history of providing poor service despite Commission orders to improve and had also been granted three rate increases in the previous five years. The North Carolina Court found the evidence supported the Commission’s findings that the telephone company was “rendering ‘chronically poor service’ and that this [was] due to ‘bad management’ and demonstrate[d] ‘an attitude of a complacent monopoly.’” Id. at 686.

On this point, the Company would initially note that the Supreme Court cited State of N.C. ex rel. Utilities Comm'n v. Gen. Tel. Co. of Southeast in Patton only for the proposition that quality of service may be taken into account in fixing just and reasonable rates. Furthermore, the evidence in the instant case is distinguishable and does not justify a comparison of Carolina

Water with the telephone utility in State of N.C. ex rel. Utilities Comm'n v. Gen. Tel. Co. of Southeast. For example, Carolina Water's management testimony demonstrates responsiveness and a desire to continually improve, which is the opposite of complacency. For example, a primary motivation for Project Phoenix was a management audit;³ the Commission itself had ordered the management audit to be performed under Order No. 2006-284. T.p.758; p.853, lines 1-16. The Company then followed the recommendations of the audit and spent considerable sums to replace its IT infrastructure which included the Customer Care and Billing ("CC&B") system implementation. This system greatly improved the efficiency of responding to customer service orders and tracking communication with customers.

Another example is a renewed focus on improving and centralizing customer service. Lisa Sparrow testified about the consolidation of call centers into three regional modernized call centers which now enables the Company to answer calls more promptly. T.p.600, lines 7-18; p.611.

Although the implementation of the CC&B system initially caused problems for customers, Carolina Water has worked with the ORS to develop a Joint Corrective Action Plan to resolve the billing issues. T.p.611. The Commission's order disregards the pendency of the proceeding in which it will consider the proposals of the parties to address this specific issue.

Most importantly, the external management audit performed by Schumaker & Company audited the Company's service level in a more detailed manner than anything contained in this rate case and found, "[b]ecause the bulk of any management review audit is devoted to opportunities for improvement, this report may give the reader the impression that Utilities, Inc. is seriously deficient. This is not the case. **Utilities, Inc. has done a good job of providing**

³ The management audit and Project Phoenix will be further discussed *infra*.

water and wastewater services to its customers. Water Service Corporation employees are dedicated and take pride in their responsibilities for providing water and wastewater services in South Carolina.’ Schumaker & Company, Final Report dated April 2, 2007 at p. 4 (emphasis added). See Docket Nos. 2004-357-W/S; 2006-107-W/S; 2006-92-W/S.

Additionally, there is substantial evidence in the Record establishing that Carolina Water has made \$10 million worth of capital investments since 2005 and expenses have increased by 13%. T.p.597, lines 11-24; pp 936-943. Patrick Flynn testified in detail about the capital improvements that have been made to both the water and wastewater systems and infrastructure in South Carolina. T.pp.927-931. Moreover, Mr. Flynn testified about a proposed solution to the persistent problem of delayed billing for purchased-water customers. T.pp.949-955. Bob Gilroy, the regional manager for Carolina Water, offered an abundance of testimony of how the Company responded to the water quality issues at Forty Love Point, and specifically as to Mr. Gilroy’s own personal service to the customers. T.pp.1139-1183.

Thus, unlike the utility involved in State of N.C. ex rel. Utilities Comm’n v. Gen. Tel. Co. of Southeast, the substantial evidence in the Record shows that Carolina Water is not complacent and does not tolerate chronically bad service. Quite the opposite, the evidence establishes that Carolina Water has improved in customer and water service, and seeks to resolve the remaining few billing and water quality issues that persist.

Furthermore, as mentioned above, the North Carolina decision relied upon by the Commission case is properly cited simply for the proposition that “the quality of the service rendered is, necessarily, a factor to be considered in fixing the ‘just and reasonable’ rate therefor.” State ex rel. Utilities Comm’n v. Gen. Tel. Co. of Southeast, 208 S.E.2d at 687 (emphasis added). The South Carolina Supreme Court has agreed only with this principle in

Patton and not the more expansive holding of the North Carolina court. The Commission's Order overlooks this distinction and fails to recognize that quality of service is but one factor of many to be analyzed when setting a just and reasonable rate.

When faced with a Utility that is requesting a rate increase, but the Utility also has quality of service issues, other jurisdictions have chosen to address the service issues by setting a rate at the low end of the range of reasonableness (instead of a rate which is not shown by the record to be within a range of reasonableness, as was done in the present case). As the Washington Supreme Court explained:

A final rate may be set at the low end of a reasonable range because of poor service so long as it remains within a range that is determined to be reasonable.

US West Communications, Inc. v. Washington Utilities & Transp. Comm'n, 949 P.2d 1337, 1361 (Wash. 1997) (*en banc*). Likewise, the Supreme Court of Florida has also stated that "inherent in the authority to adjust for management efficiency is the authority to reduce the rate of return for mismanagement, as long as the resulting rate of return falls within the reasonable range." Gulf Power Co. v. Wilson, 597 So. 2d 270, 273 (Fla. 1992).

Here, however, the Commission failed to set a rate within the range of reasonableness supported by the evidence of record. In the Order, the Commission noted that Carolina Water's **current** schedule of rates and charges would yield a return on equity somewhere between 5.09% and 6.42%. See Order, p. 21 (discussing Ms. Scott and Ms. Weeks' exhibits). The ORS's expert witness, Dr. Douglas Carlisle, testified that a fair return on equity range is 9.02% to 10.03%. T.p.1348. Carolina Water's expert, Pauline Ahern testified that a fair return on equity would be between 10.8 % and 11.4 %, resulting in a return on rate base range of 8.7% and 9.0%. T.p.462. By denying a rate increase altogether, the Commission effectively is allowing the return on

equity to be between 5.09% and 6.42% for the test year. Order, p. 21 Due to regulatory lag, the Company's present return on equity is even lower and moving towards zero.

Given that the expert evidence presented at the hearing only supports a finding that the reasonable range of return on equity is between 9.02% and 11.4%, the Commission has breached its duty to set a just and reasonable rate by denying a rate increase and allowing a much lower return on equity. See Hamm v. S.C. Pub. Serv. Comm'n, 309 S.C. 282, 288, 422 S.E.2d 110, 113 (1992) (the Commission's determination of a proper rate of return is without substantial evidence if the rate is outside the range testified to by the expert witnesses).

Carolina Water also submits that the Commission's finding that "the Company shall continue to have the opportunity to earn an operating margin of 9.86%, a rate of return on rate base of 7.64% and a rate of return on equity of 9.40%, all of which were established in Order No. 2008-855" is mistaken. Order, p. 22. The rates set by the Commission in 2008, were set based on a test year which ended September 30, 2005. See Order, 2008-855, Exhibit A. The 2008 rates do not take into account the over seven million dollar increase (\$7,485,881) in Carolina Water's rate base since September 30, 2005. T.p. 756. The 2008 rates also do not take into account the changes in expenses and revenues presented by the Company in its present application. T.pp. 754-755. As supported by both the Company and the ORS's testimony discussed herein, the Company is not earning, and cannot reasonably be expected to earn, a return on rate base of 7.64% given its current financial condition.

In sum, neither the law nor the facts relied upon by the Commission support its outright denial of Carolina Water's request for a rate increase. Therefore, the Commission's decision to completely deny any rate increase for the Company is in excess of the statutory authority of the Commission, erroneous as a matter of law, clearly erroneous in view of the reliable, probative,

and substantial evidence on **the whole** record, and/or is arbitrary or capricious or characterized by abuse of discretion. S.C. Code Ann. § 1-23-380(5). The Commission should therefore rehear and reconsider this case.

2. The Commission has overlooked in its entirety evidence of the Company's significant efforts and \$10 million of capital investment to address service and quality issues.

The Commission's finding that the Company's customer service is "inadequate and unacceptable" is not supported by substantial evidence. The Commission's factual findings and the discussion in the Order of the evidence supporting its findings of fact reflect a one-sided view of the evidence presented at the evidentiary hearing. A fair reading of the evidence shows that while Carolina Water may have encountered some problems in the course of providing service to its over 18,000 customers during the test year, the Company took numerous measures to address those problems, and has expended considerable time, effort, and money providing water and wastewater services to its customers. The Commission's order overlooks virtually all such evidence of the Company's efforts.

The South Carolina Supreme Court has stated that the Commission's findings must be "sufficiently detailed" to enable a reviewing court to determine "whether the findings are supported by the evidence and whether the law has been applied properly to those findings." Kiawah Property Owners Grp. v. Public Serv. Comm'n, 338 S.C. 92, 97, 525 S.E.2d 863, 865 (1999). In other words, the Commission is required to explain its reasoning. Id. Furthermore, when material facts are in dispute, the Commission must make "specific, express findings of fact." Id.

In Kiawah Property Owners Grp., the Supreme Court found that where the Commission's order fails to "even recite the testimony in the record of the opposing parties, but merely recites

each party's general position on the issue and then announces the one it chooses to follow," the Commission produced an unreviewable order because "the reasons underlying the decision are left to speculation." Id. (citing Able Communications, Inc. v. S. Carolina Pub. Serv. Comm'n, 290 S.C. 409, 411, 351 S.E.2d 151, 152 (1986)). Furthermore, the Supreme Court has explained that an order must be supported by substantial evidence in the record, but "substantial evidence" is **not** "evidence viewed blindly from one side of the case." Palmetto Alliance, Inc. v. S.C. Pub. Serv. Comm'n, 282 S.C. 430, 432, 319 S.E.2d 695, 696 (1984).

The Commission's Order fails to meet the standards that have been clearly and repeatedly outlined by the Supreme Court. Primarily, the Order fails to even recite the evidence presented on behalf of Carolina Water. To the extent the Commission has based its Order on service quality issues, the evidence relied upon makes clear that the Commission improperly took a one-sided view of the evidence.

During the test year, the Company had an average of 7,555 water service customers in 21 water systems and an average of 10,867 sewer customers in 15 wastewater systems. T.pp. 1305-1306; Exhibit 47, WJM-3. The Commission's Order specifically cites to the testimony of only 35 customers. Of those customers, 23 had billing related complaints, 14 voiced water quality complaints, 2 customers complained of their sewer service, and 5 customers complained of the company's customer service.⁴

The Commission's findings and the evidence overlooked is discussed in further detail below.

⁴ In its Order, the Commission also referred to the public witnesses who testified in the case. Carolina Water has attached a summary of the customer testimony presented in the case as Exhibit 1 to this motion. The summary shows the number of customers who testified by subdivision and the nature of their complaints. The Commission heard from a total number of customers representing less than one percent (.74%) of the premises currently served by Carolina Water. See Order, p. 6, n. 4.

A. Although the evidence established that some customers experienced billing problems, the Commission failed to specifically address the evidence presented by the Company in response.

Regarding billing problems, ORS's Dawn Hipp testified that Carolina Water did not issue timely and accurate bills to those customers who received water distribution and wastewater collection services. T.p. 1274, p. 15-16. However, she did not testify that Carolina Water failed to issue timely and accurate bills to **all** of its customers, and excluded Carolina Water's water service and wastewater treatment customers from her count of customers who did not receive timely and accurate bills. It was for this reason that ORS recommended that 74.65% of the initial cost of CC&B be removed from rate base to reflect the percentage of customers affected by the billing errors. T.p 1277: 15-17. Again, there is no testimony to support the Commission's implicit assumption that **all** of Carolina Water's customers were affected by the billing problems. In fact, the ORS did not offer any evidence to substantiate Ms. Hipp's calculation of the percentage of customers affected. Further, Ms. Hipp's testimony failed to acknowledge the many other functions of the billing system including electronic service order management, and customer history.

Moreover, the Commission failed to recognize evidence that the Company responded to problems encountered after the initial implementation of the CC&B system, and that in most respects, the billing errors had been rectified. The remaining issues are related to matters that the Company alone cannot change and requested the Commission to address. The Commission's failure to address the purchased water issues means the Company has been put into the impossible position of not getting rate relief until the issues are fixed, but cannot get the issues fixed until the Commission acts.

For example, in Ms. Sasic's testimony, she acknowledged the problems encountered billing water distribution and wastewater collection customers and described the measures Carolina Water took to remedy the issues encountered. Ms. Sasic testified that the billing problems have now been corrected to the extent that their resolution is within the Company's control.⁵ T.p. 1080, 1-8.

Furthermore, Ms. Sasic and Ms. Hipp agreed that the root cause of most of Carolina Water's billing problems is the current pass-through mechanism for charging water distribution customers the cost of bulk water purchased from third party providers. T.p. 1278; p. 1065. At the source of the problem, is the lag time between Carolina Water's receipt of a bulk water provider's invoice, and its ability to pro-rate the bill and pass on the cost to the customer. T.p.1065-1068.

Carolina Water proposed to solve the problem with a new tariff and surcharge to pay for nonrevenue water that was purchased and used for flushing, system maintenance, or lost to leaks. T.p.778; 949-958. The ORS suggested a revision to the pass-through tariff, and acknowledged that a surcharge may be warranted, but disagreed as to the amount. T.pp. 1292:1 – 1295: 7.

The Commission's Order failed to rule on either proposal, leaving the current tariff structure in place and all of its acknowledged difficulties. One is left to speculate why the Commission disregarded both proposals and failed to rule on this important issue. See Kiawah

⁵ Ms. Sasic testified that the billing delays were caused by the utility following its tariff approved by this Commission. Carolina Water is authorized to pass through the cost of its bulk provider invoices without mark-up. The utility therefore must wait until it is billed by its bulk service providers before the utility can calculate and mail its bills to its customers. Carolina Water receives its bulk service invoices approximately two to three weeks after the bulk service provider reads the master meter and determines Carolina Water's usage. At the time of these proceedings, Carolina Water had reduced the amount of time from the receipt of the bulk service provider invoice to the time it billed its customers to a period of three to four days. T.p. 1034, l. 9 – p. 1041, l. 23.

Property Owners Grp., *supra* (an order is insufficiently detailed if “the reasons underlying the decision are left to speculation”).

After reciting merely portions of approximately 20 customers’ testimony, the Commission found substantial billing problems. However, Carolina Water has over 18,000 water and sewer customers. Thus, the Commission’s Order found substantial billing problems based on the testimony of less than one tenth of a percent of the utility’s customers. Furthermore, the Commission overlooked portions of customer testimony which more fully explained the nature of the customer concerns, and entirely overlooked evidence of the Company’s response to the customer complaints which demonstrated that these complaints were either isolated or handled reasonably by Carolina Water.

One example of the Commission unfairly focusing on only the negative part of a customer’s testimony is customer Jay Moore. The Commission’s Order recited the testimony of Mr. Moore that he was billed for 2,640 gallons of water in June of 2011 when his home had been vacant for 23 days with the water valve turned off. Order, p. 10. However, the Commission failed to recite the portion of Mr. Moore’s testimony that when he brought his billing issue to the attention of the Carolina Water customer service personnel, they responded immediately and sympathetically by promptly sending a representative named “Dot” to Mr. Moore’s home. Mr. Moore testified that Dot was similarly sympathetic and was able to resolve Mr. Moore’s billing issue and ordered a new meter installed at Mr. Moore’s property at Carolina Water’s expense. The clear inference from Mr. Moore’s testimony is that the Carolina Water customer service personnel responded appropriately and that Mr. Moore was satisfied with this service. T.p. 261, l. 15 - p. 262, l. 24.

The Commission recited certain of the testimony of witnesses appearing at the public hearings in the matter who raised the issue of “double billing.” The Commission failed to note, however, that Carolina Water issued a billing for two months’ services for all of its purchased service customers in South Carolina because it relied on the procedure established by the Commission in a Utilities Services of South Carolina proceeding held in 2009. Order No. 2010-111.⁶

The Commission recited the testimony of Pam Horack who testified that she was overbilled a portion of the base water charge. Ms. Horack testified that when she realized she was being overbilled by an amount of approximately \$7.00 per month, she contacted Carolina Water’s customer service and was informed that the proration of the base facilities charge resulted from the fact that the water meter was dependent upon the date the water meter was read. T.p. 214, ll. 7-14. As explained by witness Karen Sasic, Carolina Water reprogrammed its CC&B System in February of 2011 to prevent prorating base facilities charges. T.p. 1047, ll. 11-3. The Company issued a refund to Ms. Horack and the other 285 customers affected by this error in August 2011. T.p. 1046:10-25. The total amount credited or refunded to the customers was \$1,342.22. T.p. 1046, ll. 13-16. None of this evidence was recited or considered by the Commission.

The Commission noted the testimony of Don Long who testified that Carolina Water overcharged its customers in the Lake Wylie service territory by approximately 15¢ per thousand gallons per month over a 24-month period. The matter was brought to the attention of witness

⁶ Further complicating matters, the double billing had the effect of prorating the base facilities charge in certain cases. Carolina Water then determined that the CC&B System needed to be reprogrammed so as to prevent the prorating of base facilities charges. By February 2011 the CC&B system had been reprogrammed to eliminate the prorating of base facilities charges. T.p. 1042, l. 3 – p. 1047, l.5. The Commission overlooked this testimony which clearly shows the Company being responsive to its customers’ service complaints.

Karen Sasic who was in attendance at the August 4 Lake Wylie public hearing. T.p. 1047. Ms. Sasic, testified that after investigating the allegation, the Company issued a credit in the August 2011 billing to all customers who were affected. T.p. 1047, l. 6. The average monthly impact was \$.60 for a residential customer and \$2.30 for a commercial customer. T.p. 1048: 1-12.

Moreover, the Commission disregarded the evidence that demonstrates the lengths to which Carolina Water has gone to ensure timely and accurately bills. Ms. Sasic testified to the following steps the Company has taken:

- Reviewed and developed additional controls in the Billing Process Flows to ensure timely, accurate bills. (COMPLETED April 21, 2010)
- Established Key Performance Indicators (KPIs) for the billing and customer service operations in order to objectively measure the performance of those operations and to bring more accountability to the process. (COMPLETED April 1, 2010)
- Developed a Purchased Service Billing Schedule to ensure adherence to future bill dates. (COMPLETED April 20, 2010)
- Waived all late payment charges and reconnection charges in the Lake Murray and Harborside areas for the months of January, February and March 2010. (COMPLETED April 12, 2010).
- Temporarily suspended all severance activities in South Carolina until the billing issues could be identified and corrective action taken to ensure timely, accurate bills. (COMPLETED April 14, 2010).
- Applied credit adjustments on all accounts affected by pro-ration in 2008, 2009 and 2010. (COMPLETED April 23, 2010).

- 2008 adjustments – 2,886 customers affected totaling \$24,955.99 credited
- 2009 adjustments – 1,226 customers affected totaling \$22,143.36 credited
- 2010 adjustments- 1,622 customers affected totaling \$4,350.12 credited
- Expanded information contained on the complaint tracking log to ensure timely response to the ORS on customer complaints. (COMPLETED April 13, 2010)

T.p. 1071, l. 19 - p. 1073, l. 5.

In addition, the evidence reflects that Carolina Water had placed into effect additional billing controls. In particular, Carolina Water developed KPIs to measure the timeliness and accuracy of its billing and customer service operations in order to objectively measure the performance of those operations. The results for the customer service KPIs reflect the following:

Objectives	Measure	2010			2011		
		1Q10 Actual	2Q10 Actual	3Q10 Actual	4Q10 Actual	1Q11 Actual	2Q11 Actual
Timely & Accurate Billing	% of Bills On-Time	66.9%	82.7%	97.5%	98.1%	97.5%	98.1%
	% of Accurate Bills	99.4%	86.3%	98.5%	99.1%	99.0%	98.9%

These KPIs demonstrate that the problems that Carolina Water was experiencing during the first half of 2010 have been largely corrected. T. p. 1073, l. 6 - p. 1074, l. 7.

As the above extensive discussion illustrates, the Commission's Order merely recites certain limited portions of customer testimony concerning billing issues. In addition, the Order virtually ignores all the testimony the Company offered in response to show it is not indifferent to customer concerns. See Order, p.18 ("The utility claims to have made improvements in its billing and collection practices, but we believe the problems have persisted at an unacceptable level."). This cursory treatment of the abundant evidence which establishes that Carolina Water has taken reasonable steps to address the billing issues is a clear example of how the

Commission has improperly viewed the evidence about billing problems “blindly from one side of the case.” Palmetto Alliance, Inc. v. S.C. Pub. Serv. Comm’n, 282 S.C. at 432, 319 S.E.2d at 696. The testimony simply is not indicative of a company that is indifferent in its service.

Finally, the undisputed fact remains that Carolina Water has invested \$10 million in its water and sewer facilities here in South Carolina to maintain and improve service, and these investments are unrelated to Carolina Water’s billing practices.⁷

B. Although the evidence established that some customers experienced issues with water quality, the Commission failed to specifically address the evidence presented by the Company in response.

In arriving at its decision, the Commission cited to water quality complaints made by 14 of the Company’s customers. Carolina Water would respectfully submit that it is not reasonable for the Commission to deny its entire application on the basis of the limited testimony received. The Commission’s Order cites the testimony of 13 customers, but does not cite any specific testimony presented by Carolina Water regarding its response to water quality problems.

However, the Commission overlooked the inherent limitations of these complaints, and entirely overlooked evidence presented by the ORS and the Company pertaining to these issues. Order pp. 16 – *et seq.* Specific evidence overlooked by the Commission’s order is discussed in further detail herein.

Forty Love Point

The Commission overlooked evidence concerning water quality problems at the Forty Love Point subdivision. While the Commission cited to the testimony of Nancy Williamson, Frank Rutkowski, Kim Nowell and Tom Callan, it overlooked significant evidence pertaining to

⁷ The Commission has other means of addressing customer service issues when those issues are not related to specific expenditures in a rate case. For instance, Carolina Water is a party to a Rule to Show Cause proceeding currently pending before the Commission where billing problems are at issue. Docket No. 2010-146-WS.

Carolina Water's service in this area. Order, pp. 16-17. Each of these witnesses complained of water quality problems, but the Commission fails to even reference the evidence that Forty Love Point's water complies with all federal, state and local regulations and ignores evidence in the record of Carolina Water's extensive efforts to resolve the water quality issues in Forty Love Point.

First, the record is clear that the Forty Love Point customers were complaining about aesthetic water quality issues, and there is no credible evidence to support the conclusion that there were any safety issues implicated in the water at Forty Love Point. Indeed, the evidence shows the opposite. T.p. 1208: 21 – 1209: l. 3. The water at Forty Love Point was regularly tested and complied with DHEC regulations according to the ORS' inspection report. Exhibit 47, WJM-1, p. 6. Therefore, the Commission should, at a minimum, find that there is no credible evidence in the record to validate the concerns raised by Mr. Rutkowski about the safety of his drinking water or that it is out of compliance with DHEC regulations. Order, p. 17.

Furthermore, the record shows that Carolina Water service went to great lengths to address the concerns of its customers in Forty Love Point. T.pp. 1130-1247. Carolina Water Service's Regional Manager, Bob Gilroy, testified to the company's extensive efforts to resolve the discolored water issues in the Forty Love Point subdivision. Id. Beginning in August of 2009, when Carolina Water was first contacted by Nancy Williamson regarding water quality concerns in the neighborhood, the Company began extensive efforts to identify the cause of the water quality issues in Forty Love Point and find a solution to them. He flushed the system to clear it of the undesirable water. T.pp. 1148-1149. Mr. Gilroy also had all of the wells tested for total coliform bacteria and iron bacteria. T.pp. 1149-1150. When a test revealed the presence of total coliform bacteria in one of the wells, he flushed the system, shut down and cleaned the well

and its equipment, and brought it back on line after new tests for total coliform bacteria came back negative. T.pp. 1151-1152. Gilroy testified that, in the year and a half preceding the August 2009 complaint from Ms. Williamson, the company's records showed only three complaints were made about water quality in Forty Love Point. Id. When Mr. Gilroy heard of complaints about discolored water in August of 2009, he worked to identify the source of the occurrences and coordinated his efforts with Sonia Johnson of the DHEC. T.p. 1156-1183; pp. 1145-1148. Company staff cleaned and refurbished water softener systems installed at the wells and water storage tanks serving the neighborhood. T.pp. 1158, l.12-25; 1159-1160: 1-10. He identified iron bacteria as a possible source of the problem as is typical with wells in South Carolina. T. p. 1210: 4-15.

In September of 2009, Mr. Gilroy met with members of the Homeowners Association to address the problem. T.pp. 1209: 20-25; 1152: 7- 1154:3. At this meeting, Mr. Gilroy discussed customers' complaints of discolored water. T.p. 1155, l.1-14. Mr. Gilroy made his cell phone number available to residents of the subdivision and visited their homes to respond to specific instances of brown water. T. p. 1145: 7-8; 1147: 18 – 1148: 11; 1161. Gilroy urged customers to flush their water heaters in order to clear accumulated sedimentation, and even performed the job himself for several customers. T. pp. 1162: 21-1165:17.

In September of 2010, after DHEC testing suggested that the discolored water occurrences could be caused by manganese in the water, Carolina Water also implemented a manganese sequestration system. T.p. 1211: 1-14; pp. 1166, 1172. While the presence of manganese was well within the limits prescribed by DHEC, a chemist hired by Carolina Water suggested that it could be the cause of the discolored water occurrences. T.pp. 1170-1171. In response to the chemist's suggestion, in September of 2010, Carolina Water began using

polyphosphate to sequester the manganese in the water. T.pp. 1171-1172. Mr. Gilroy testified that following the installation of the manganese sequestration system, the number of complaints of discolored water occurrences in the Forty Love subdivision fell dramatically, and the complaints that he did receive before this rate case did not indicate a system-wide problem. T.p. 1212: 2-22; pp.1170-1174. Nancy Williamson, one of Forty Love Point's witnesses, who had been in frequent contact with Mr. Gilroy between August of 2009 and August of 2010, did not contact Mr. Gilroy again after the sequestration system was implemented and was not heard from until this rate case. T.p. 1174: 10-16.

Nevertheless, in light of the complaints heard from Forty Love Point customers during the course of the rate case, Patrick Flynn, Utilities, Inc.'s Regional Manager, testified that the Company is willing to explore additional measures to resolve the discolored water issues they complained of at the hearing, but the Company would need to recover the costs of those measures. T.pp. 1000:3-23; 1003: 1-17. One solution discussed in the hearing was interconnection with the City of Columbia's bulk water system. However, interconnecting with the City of Columbia's system would require the construction of a water main and involve an expenditure of capital. T.p.1235:15 – 1236:11. While the cost of the interconnection is not known, Gilroy testified on cross-examination by counsel for the ORS that he had been told as much as \$1.3 million. T.p. 1236: 12-23.

Regardless of the actual cost, there can be no serious disagreement that interconnection to the City of Columbia's water main, located three-quarters of a mile from the Forty Love Point subdivision, would require a substantial expenditure of funds. T.p. 1235. Given the Commission's Order, which denies the Company the ability to earn a return sufficient to cover its cost of capital, it will simply not be possible for the Company to make such an expenditure

unless the expenditure is put into rates at the same time it is made. Based on history, the Company simply will be unable to attract capital for any improvements.

The Order entirely overlooks the sequence of events mentioned above, and instead relies solely on pieces of the Forty Love customers' testimony. Order, pp. 16-18. Also, the Commission has not made any specific finding as to what other measures the Company has failed to take in response to the complaints. The Commission has failed to identify any reductions that it has concluded should be made to the expenditures or expenses in the company's application as a result of these events. Finally, the Commission has failed to articulate any rationale which could be subject to review which would justify reducing the Company's applied for rate of return on rate base on the basis of the complaints from Forty Love Point.

Other Customer complaints of poor water quality.

In its Order, the Commission cited to additional water quality complaints made by nine customers in five subdivisions outside of Forty Love Point. These complaints, and evidence overlooked in their regard, are discussed herein. For example, the Commission cited to the testimony of Bartina Edwards who complained of her water being discolored. However, Ms. Edwards' own letter of protest indicates that whatever issues she had with discoloration may have been in her own home. She wrote:

During June 2011, I requested that my pipes be reviewed by a plumber to see if the intermittent discoloration was coming from the pipes. While that test was inconclusive, there really is no additional test that can be done without going into the walls and disconnecting the piping. Therefore, I was forced to maintain a water filtration system underneath my house that ties into the water line to ensure we have safe drinking water with minimal discoloration.

Tr. Exhibit 12. (emphasis added).

Furthermore, Ms. Edwards is a resident of the River Hills subdivision in Lake Wylie, in which Carolina Water provides distribution service, where she is receiving water purchased from the City of Rock Hill. Exhibit 47, WJM-1, p. 7. The Company does not have direct control over her water quality.

The remaining testimony cited by the Commission simply cannot lead a reasonable person to conclude that the company's water quality is so bad as to warrant a complete denial of its application. For example, the Commission cited the testimony of Jean O'Connor, a resident of the Sandy Oaks subdivision, as evidence of poor water quality, but overlooked the testimony of Company witness Mac Mitchell, a Regional Manager, that her neighborhood does not receive water service from Carolina Water. T.p. 1202: 2-11.

Utilities, Inc.'s CEO, Lisa Sparrow, and Regional Manager, Patrick Flynn, both testified to the challenges posed by South Carolina's ground water. T.p.596: 8-600: 6. Even the regulations that govern water quality of service acknowledge that while each utility "shall provide water that is potable," water should be "free from objectionable odor, taste, color and turbidity" only "insofar as practicable." S.C. Code Ann. Regs. § 103-770(A)(emphasis added). Carolina Water has acknowledged that some of its customers served by well-based systems have quality complaints, and the record has detailed information about the capital expenditures made in these subdivisions as the Company provides safe, quality service. T.p.596: 8-600: 6. It is only reasonable to conclude, if it is allowed to earn a reasonable rate of return, the Company would be able to continue to make investments in these systems and improve service. However, as Ms. Sparrow explained, without rate relief, such investments will not be possible because Carolina Water will not be able to obtain capital to invest in its system. T.p. 608: 1. The Commission has put the Company in the impossible of position, by demanding better service but not willing to

provide a reasonable rate of return on the improvements already made, thus not allowing it to be able to attract capital to make further improvements. The Commission has created a downward spiral that will be unrecoverable and actually decrease the quality of service for customers.

Finally, the Commission erred as a matter of law, because the Commission has failed to identify any adjustments that it has concluded should be made to the expenditures or expenses in the Company's application as a result of the complaints discussed above. S.C. Code Ann. § 1-23-380(5). The Commission has failed to articulate any rationale which could be subject to review which would justify reducing the Company's applied for rate of return on rate base on the basis of the complaints. Denial of all rate relief based solely upon limited quality of service issues is therefore improper.

C. Although the evidence established that a few customers experienced sewer problems, the Commission placed improper weight on this limited testimony and overlooked the evidence presented by the Company in response.

Carolina Water had an average of 10,867 sewer customers during the test year. Exhibit 47, WJM 3. It operates nine wastewater collection and treatment systems, and six collection-only systems. T.p. 1306: 18-21. The Commission specifically cited to the testimony of two sewer customers, both residents of the River Hills subdivisions. Carolina Water had approximately 3,700 sewer customers in River Hills. T.p. 940: 5-6. Patrick Flynn, Southeast Regional Manager for Utilities, Inc., also testified that Carolina water had spent \$152,000 on items such as remote telemetry equipment and improvements such as manhole rehabilitation and replacing a lift station, and on sewer cleaning activity in River Hills. T.p. 940: 5-13. The Commission also overlooked the ORS's inspection report of the wastewater operations at the River Hills subdivision, which found the system to be in compliance. T. Exhibit 47, WJM-1: 14-17.

The Commission pointed to the testimony of Allan Nason, a customer in the River Hills subdivision who opined that blockages in his subdivision occurred as a result of Carolina Water's alleged "failure to connect the main line of the house into the sewer." Order, p. 19. At the public hearing Mr. Nason explained that he thought the company should be using glue to connect home sewers to the main line. T.p. 165: 1-7. However, the Commission overlooked the testimony of Mac Mitchell, who explained that clay lines in Mr. Nason's neighborhood are properly connected with gaskets and joints instead of glue. T.p. 1123: 6-25. While the Commission cited to Bartina Edwards' testimony that she had to deal with three sewerage backups at her own expense, it overlooked Ms. Edwards' own testimony that the blockages occurred on her own property. T. p. 179: 417. In fact, Ms. Edwards was complaining of a third party insurance provider's response to her insurance claim arising from those backups, instead of Carolina Water. Id. The Commission also failed to recognize the ORS's inspection of the River Hills system, which found the system to be in compliance and, specifically, free of leaks. T., Exhibit 47, WJM-1 p. 14.

Finally, the Commission's order is mistaken as a matter of law, because the Commission has failed to identify any adjustments that it has concluded should be made to the expenditures or expenses in the Company's application as a result of the sewer complaints discussed above. Utilities Services, 392 S.C. at 111, 708 S.E.2d at 763 (customer testimony only is relevant to those capital improvements made in those customers' neighborhoods).

Additionally, the Commission has failed to articulate any rationale which could be subject to review which would justify reducing the Company's applied for rate of return on rate base on the basis of the sewer complaints.

D. The Commission cited testimony of six customers who complained about customer service issues, but completely ignored evidence presented by the Company about improvements made in customer service.

The Commission Order recited the testimony of six customers who complained about customer service issues. Generally, the Commission Order recited testimony concerning the fact that Carolina Water had no local office, that payments were to be mailed to an address in Maine, and that one of the customer service locations is in the state of Florida. Order, page 19. However, the Commission merely recited certain limited aspects of customer testimony and failed to acknowledge or address the expansive testimony in the record concerning Carolina Water's efforts to reorganize and improve its customer service.

At the behest of this Commission, the ORS engaged Schumacher and Company to conduct a management audit that was filed with this Commission in Docket No. 2004-357-W/S; 2006-107-W/S; and 2006-92-W/S on May 7, 2007. T.p. 755, ll. 7-10. The management audit recommended that Carolina Water improve or replace its existing billing system, consolidate customer service functions and implement metrics to monitor performance in all areas.⁸ As a consequence, the Company did all three. In February of 2010, Carolina Water consolidated its call centers nationally into three locations: Altamonte Springs, Florida; Charlotte, North Carolina; and Pahrump, Nevada. The locations are supported by a telephone system which provides redundancy between the centers in case of a natural disaster or storm event. If one location should go down, the other locations would be supported and be able to serve customer calls coming into those centers. Any customer service representative in any of the three call centers can take calls from customers in any of the 15 states that Carolina Water serves. The customer service representatives are provided with continual training. To ensure service to its

⁸ The Commission has, on occasion, inquired of Carolina Water or other Utilities, Inc. subsidiaries with respect to their progress in acting upon the recommendations set out in the management audit.

customers, Carolina Water conducts quality monitoring of calls received. T.p. 1012, l. 3 - p. 1014, l. 12)

Consistent with the management audit, Carolina Water undertook "Project Phoenix" to redesign its financial and customer care systems. Carolina Water engaged J. D. Edwards Enterprise to redesign its financial systems at a total cost of approximately \$14 million. Of this amount, approximately \$1 million was assigned to Carolina Water. In addition, Carolina Water had designed and put into service its CC&B System at a total cost of approximately \$7 million. Of that amount, approximately \$522,000 was assigned to Carolina Water. The CC&B system is composed of five (5) modules: customer management and service, billing, accounts receivables and collections, device management, and meter reading. T.p. 759, l. 3 - p. 764, l. 10. The CC&B System software allows a customer service representative to view a customer's payment and service history, respond to billing inquiries, and order service for a customer. Any service order can be communicated immediately to the Carolina Water service representatives electronically. Similarly, Carolina Water service representatives in the field are able to communicate the status of their service orders or the results of their service orders back to the customer service personnel through the CC&B system. The system provides for easy access to a customer's billing and service history and prompt response to customer service issues. T. p. 1060, l. 19 - p. 1062, l. 17.

Thus, while there may have been anecdotal evidence from a handful of Carolina Water customers regarding customer service issues, the record reflects that Carolina Water has, consistent with the recommendation of the management audit that has been endorsed by this Commission, gone to great lengths and expended considerable sums to improve its customer service.

3. The Commission has failed to adhere to any established lawful rate-making methodology in arriving at its decision.

A. The Commission's order disregards the Supreme Court's holding in *Utilities Services of S.C. v. South Carolina Office of Regulatory Staff*.

The Commission's order fails to comply with the fundamental ratemaking principles most recently articulated by the South Carolina Supreme Court. In a rate case brought under the "return on rate base" method, the Commission must conduct an analysis of whether the utility's capital expenditures should be allowed into rate base, the proper rate of return on rate base for the utility, the utility's current income, and the utility's allowable expenses. Utilities Services of S.C., Inc. v. S.C. Office of Reg. Staff, 392 S.C. 96, 100-101, 708 S.E.2d 755, 758 (2011). Each component of the ratemaking formula must be examined by the Commission as it arrives at the appropriate revenue requirement and the resulting rates to be charged the customer class. Id. In the present case, the Commission has not followed this established rate-making analysis.

A key component of the analysis is the presumption that a utility's costs and expenses are reasonable unless shown otherwise. For instance, in Utilities Services, the Court recognized that the unchallenged expenditures of a utility applying for a rate increase are entitled to a presumption of reasonableness. The Court explained:

Utility is correct that it was entitled to a presumption that its expenditures were reasonable and incurred in good faith, and therefore, a showing that its expenses had increased since its last rate case *could* satisfy its burden of proof.... "Although the burden of proof of the reasonableness of all costs incurred which enter into a rate increase request rests with the utility, the utility's expenses are presumed to be reasonable and incurred in good faith. This presumption does not shift the burden of persuasion but shifts the burden of production **on to the Commission or other contesting party** to demonstrate a tenable basis for raising the specter of imprudence. This evidence may be provided ... through the Commission's broad investigatory powers. **The ultimate burden of showing every reasonable effort to minimize ... costs remains on the utility.**"

Utilities Services, 392 S.C. at 109-10, 708 S.E.2d at 762-63 (quoting Hamm, emphasis added by Utilities Services Court).

Therefore, absent some ground for finding that a particular expenditure should be disallowed, it should be included in the company's rate base, and the company should be allowed to earn an appropriate rate of return on that item. Similarly, absent a finding that a particular expense was imprudent, the expense should be considered in setting the utility's revenue requirement. The Court explained:

While we recognize the PSC was entitled to determine Utility should not be credited with some of the expenditures it claimed, Utility argues, and we agree, that **the concerns raised at the public hearings were not sufficient to overcome the presumption of reasonableness as to all of Utility's claimed expenditures. Thus, rather than denying Utility's rate application in its entirety, the PSC should have adjusted Utility's application to reflect only those expenditures the PSC determined should be passed on to consumers.**

Id. at 111-12, 708 S.E.2d at 763-64 (emphasis added) (citing Patton, 280 S.C. at 292, 312 S.E.2d at 259-60). However, the Commission has failed to identify any challenged expenditures, but simply denied the application in its entirety, the same mistake for which it was reversed in Utilities Services. By denying Carolina Water a reasonable return on unchallenged expenditures, the Commission has disregarded the presumption that those expenditures were reasonably incurred and properly included in rate base.

Thus, in this case, all of Carolina Water's expenditures that affected neighborhoods where there were no customer complaints are entitled to the presumption of reasonableness. As the Court in Utilities Services instructed, the Commission "was required to consider whether, even putting aside the expenditures it found questionable, Utility was entitled to some increase in its rates." Id. at 112, 708 S.E.2d at 764. The Commission here, however, failed to assess the

unchallenged expenditures. Moreover, the Court in Utilities Services stated unequivocally that the Commission “must not deny an application in its entirety when only a small portion of the expenditures claimed by the utility have been called into question.” Id. at 115, 708 S.E.2d at 765.

Accordingly, the Commission has improperly overlooked the recently-established rulings announced by the Supreme Court in Utilities Services.

B. The Commission’s denial of the application is arbitrary and capricious.

The Commission cites to Patton v Public Service Commission for the proposition that it may consider quality of service issues when setting the utility’s rate of return. Order, p. 2. However, Patton does not allow the Commission to arbitrarily deny an application on the basis of an undefined customer service standard and depart from the rate-making analysis recognized in Utilities Services. In Patton, the Court upheld the Commission’s denial of rates to one subdivision served by a wastewater utility until such time as that subdivision was brought into compliance with DHEC regulations. Patton, 280 S.C. 288, 293, 312 S.E.2d 257, 260. Therefore, Patton teaches that while a **limitation** on the **implementation** of just and reasonable rates because of quality of service issues in specific parts of a utility’s service area is an appropriate tool available to the Commission to incent utilities to provide adequate service, a total denial of rate relief without reference to the broader perspective of the utility’s overall quality of service is in no way supported by the case. To the contrary, interpreting Patton to permit a complete denial of rate relief is not only inconsistent with the Supreme Court’s holding therein, it ignores the Court’s analysis of the case in Utilities Services. Our Supreme Court requires a more precise analytical approach to addressing service inadequacy in the context of rate-making.

Given the Commission's failure to engage in any meaningful analysis of the Company's expenditures, it has failed to articulate any explanation for a total denial of Carolina Water's application. In its Order, the Commission concluded as a matter of law:

The widespread and pervasive problems with regard to quality of service in this case are sufficient to support denial of the Applicant's rate request.

Order, p. 21. This conclusion, supported by blindly looking at only one side of evidence, is insufficient to give the Company adequate notice of why its rate case has been denied. Palmetto Alliance, Inc. v. S.C. Pub. Serv. Comm'n, 282 S.C. at 432, 319 S.E.2d at 696 ("Substantial evidence" is not a "evidence viewed blindly from one side of the case, but is evidence which, considering the record as a whole, would allow reasonable minds to reach the conclusion that the administrative agency reached or must have reached in order to justify its action.").

The Commission has not cited to any evidence that all, or even a specific percentage of Carolina Water's customers, are affected by the "widespread and pervasive problems." The Commission has also failed to explain why the problems cited to in the order are so severe as to warrant a complete denial of the Company's application. Carolina Water, and other regulated utilities, are left to wonder when a company's problems are so severe as to warrant a complete denial, and when they are not, because the Commission has failed to articulate any rule for its decision.

Common to all of the Supreme Court's holdings is the principle that the Commission must make specific findings to justify disallowing a particular and specific expenditure. See, e.g., Utilities Services. Those expenditures which remain unchallenged in the record are entitled to a presumption of reasonableness, and should be included in rate base. Instead, the Commission here has denied Carolina Water's rate increase in its entirety, citing to a finding of

poor customer service based on “some” customers. While the Commission has noted the testimony of 35 of the Company’s customers who were dissatisfied with Carolina Water’s customer service (at the same time making no virtually mention of Carolina Water’s testimony regarding the issues complained of), its Order fails to explain how these complaints have been factored into its ratemaking analysis. The Commission makes no finding that the customers’ testimony has shown any particular capital expenditures to be improper or not made. The Commission has made no finding to indicate that customer testimony shows that the Company’s revenues were inaccurately stated. The Commission has made no finding that any expense was unreasonable.

Similarly, the Company should receive credit for unchallenged expenses, income, or other undisputed elements of the rate case. The Commission’s order fails to either identify the items that it finds should not be allowed, or to credit the Company for those items that should be properly allowed.⁹ Therefore, Carolina Water respectfully submits that the Commission’s current decision is arbitrary and capricious, and should be reconsidered.

In the present case, the Commission has committed virtually the same error for which its decision was overturned in Utilities Services. The Commission has denied Carolina Water’s requested rate increase altogether on the basis of customer testimony, and has failed to make any findings of fact to support its conclusion that virtually none of the Company’s expenditures should be put in rate base as a result of these complaints.

⁹ The Commission did make a finding that the Company’s existing Rate of Return on Rate Base was sufficient, but did so completely disregarding the expert testimony of the two expert witnesses who testified as to the appropriate rate of return and return on equity for the company. See Hamm v. S.C. Pub. Serv. Comm’n, 309 S.C. 282, 288, 422 S.E.2d 110, 113 (1992) (the Commission’s determination of a proper rate of return is without substantial evidence if the rate is outside the range testified to by the expert witnesses).

In Able Communications, Inc. v. S. Carolina Pub. Serv. Comm'n, 290 S.C. 409, 411, 351 S.E.2d 151, 152 (1986), the Supreme Court stated the following: “Where material facts are in dispute, the administrative body must make specific, express findings of fact. No particular format is required. However, a recital of conflicting testimony followed by a general conclusion is patently insufficient to enable a reviewing court to address the issues.” Here, the Commission failed to even recite any of the testimony regarding the Company’s response to customer complaints and its over \$10 million of capital expenditures.

In other words, the Commission has failed to credit the utility with unchallenged expenditures as specifically required by Utilities Services. Utilities Services, 392 S.C. at 112, 708 S.E.2d at 764 (the Commission “should have credited Utility with the expenses that were not challenged”).

In the present case, Carolina Water respectfully submits that the 35 customers cited to by the Commission, and the Forty Love Point intervenors, failed to present evidence which could reasonably lead the Commission to conclude that all of Carolina Water’s expenditures were imprudent and should not be included in rate base. While the Commission has based its ruling on customer complaints, it has not integrated these complaints into the ratemaking analysis.

Therefore, the Commission has rendered an arbitrary and capricious decision which must be reconsidered. See S. Bell Tel. & Tel. Co. v. Pub. Serv. Comm'n, 270 S.C. 590, 605, 244 S.E.2d 278, 286 (1978) (“a utility commission may not make an arbitrary or capricious choice”) (Ness, J., concurring and dissenting in part).

4. The Commission’s conclusion that the Company’s current revenues are not confiscatory is not supported by the record in this case.

The evidence in the record contradicts the Commission’s conclusion that Carolina Water’s “current rates result in sufficient revenue to generate a positive rate of return sufficient

to service its debt and provide a return to equity holders.” Order, p. 21. The Company’s current rates at the end of the test year and prior to ORS’s accounting and pro forma adjustments do not result in sufficient revenues to either generate a positive rate of return sufficient to service its debt or to provide a return to equity holders. Under the Commission’s order, the Company would earn a rate of return lower than either its cost of debt or cost of equity. Carolina Water respectfully submits that the rates set by the Commission in its order are not supported by findings of evidence, and therefore should be reheard. Porter v. S.C. Public Serv. Comm’n, 333 S.C. 12, 507 S.E.2d 328 (1998); United Tel. Co. of Carolinas v. South Carolina Public Service Comm., 264 SC 212, 214 S.E.2d 738 (1975). Second, Carolina Water urges the Commission to revisit its rates because they are confiscatory, and violative of the takings clause of the Fifth and Fourteenth amendments to the United States Constitution.

In 1923, the United States Supreme Court announced the standard for setting a reasonable rate that would not result in an unconstitutional taking:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties.... The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.

Bluefield Water Works & Improvement Co. v. Public Serv. Comm’n, 262 U.S. 679, 692-93, (1923). In 1944, the United States Supreme Court further elaborated on the constitutional contours in the rate-making context:

[T]he fixing of ‘just and reasonable’ rates, involves a balancing of the investor and the consumer interests.... From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also

for the capital costs of the business. These include service on the debt and dividends on the stock.

Fed. Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944). Thus, where the rate of return on equity is insufficient, a confiscatory taking has occurred in violation of the Fifth and Fourteenth Amendments of the federal Constitution.

In the present case, the Commission's finding denying the Utility's application altogether, leaves it with a rate of return on rate base between 5.85% and 6.5%. Order, p. 21. This finding – which according to any evidence presented at the hearing would result in the company earning a rate of return substantially lower than its cost of capital -- is not supported by substantial evidence in the record.

Carolina Water's Kirsten Weeks testified that as of September 30, 2010, the end of the test year, the company earned a 5.85% return on rate base. As noted above, due to regulatory lag, the Company's present return is even lower. ORS accountant Sharon Scott testified that the company's actual return on rate base at the end of the test year was 6.5%. This rate of return is lower than the company's cost of debt of 6.60% as testified to by Carolina Water's expert witness Pauline Ahern, and the ORS's accountant, Sharon Scott. T.pp. 467:18 – 468:10. Also, both Scott and Ahern predicated their assumptions about Carolina Water's overall cost of capital on a debt to equity ratio of about 50:50.

As for Carolina Water's required return on equity, Carolina Water's expert Ahern recommended a range of cost of equity of 10.8% to 11.4% for the Company (T. p 467:18 – 468:10) and the ORS' economist, Dr. Douglas Carlisle, stated a range for return on equity of 9.02% to 10.03%. T.,p. 377: 2-9. The Company estimated that its return on equity during the test year was 5.09%, and the ORS estimated the Company's return on equity during the test year as 6.42%. Either of these estimates are below the range recommended by the experts as

necessary of Carolina Water to attract investment. Given that the Commission's Order results in rates for the Company that are below its cost of capital, the Commission's decision effects an unconstitutional taking. See Southern Bell Tel. & Tel. Co. v. Public Serv. Comm'n, 270 S.C. 590, 607, 244 S.E.2d 278, 286 (1978) (Ness, J., dissenting in part). "If the rate of return on rate base is lower than the cost of capital, the rates must be adjusted upward by the Commission." Id.

The United States Supreme Court has clearly established "it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock." Fed. Power Comm'n v. Hope Natural Gas Co., 320 U.S. at 603. The Commission's Order, however, fails to give Carolina Water enough revenue to service its debt and provide a fair dividend for its stockholders. All the expert testimony presented at the hearing clearly established that a reasonable rate on equity be in a range between 9.02% and 11.4%. Yet, the Commission's Order specifically acknowledges that the current rates only generated a return on equity somewhere between 5.09% and 6.42% for the test year in question. Therefore, the Commission's legal conclusion that the Company's current rates "result in sufficient revenue to generate a positive rate of return sufficient to service its debt and provide a return to equity holders" is simply not supported by the evidence presented at the hearing.

The Commission has ignored established precedent which requires that when the Commission determines a fair rate of return on equity, it "must fully document its findings of fact and base its decision on reliable, probative, and substantial evidence on the whole record." Porter v. S.C. Public Serv. Comm'n, 333 S.C. at 21, 507 S.E.2d at 332. Clearly, the Commission has not met this standard when its conclusion of law is wholly unsupported by the evidence in the record. The Commission has effectively set a rate of return on equity which has no basis in

the evidence presented to the Commission. The South Carolina Supreme Court has found that it was error for the Commission to set a return on equity at 13.25%, when the evidence showed that the maximum adjusted rate was 13%. See Hamm v. S.C. Pub. Serv. Comm'n, 309 S.C. at 287-88, 422 S.E.2d at 113. By effectively setting the rate of return on equity between 5.09% and 6.42%, despite expert testimony that the return on equity rate should be between 9.02% and 11.4%, the Commission's decision is plainly unsupported by the substantial evidence.¹⁰

As a result, the return on equity and overall return on rate base is simply insufficient to withstand constitutional scrutiny. Therefore, the Commission should reconsider its decision. S.C. Code Ann. § 1-23-380(5)(a).

CONCLUSION

The Commission has failed to meaningfully consider and analyze the evidence presented by Carolina Water. The Commission's denial of a rate increase denies the Company the ability to earn any return on the substantial capital investments made since its last rate case. The Commission's decision fails to provide Carolina Water with a viable means of providing quality service to its customers on an ongoing basis. It is neither reasonable, nor consistent with the evidence of record or the law, for the Commission to expect that Carolina Water can operate with an effective return on rate base that is lower than either its cost of capital or required return on equity. The Company therefore urges the Commission to grant rehearing and reconsider its decision herein.

¹⁰ Additionally, the Commission erroneously relied on Patton, an operating margin case for its decision, when this is a return on rate case. Order, p.22. In Patton, the Commission's analysis of operating margin would not have taken into account the utility's investment in rate base, as would be required in Carolina Water's case.

REQUEST FOR APPROVAL OF BOND

Carolina Water incorporates by this reference and reasserts the contents of the preceding paragraphs of the within petition with respect to the findings of fact and conclusions of law set out in Order No. 2011-784.

In the event that this petition for rehearing or reconsideration is denied, Carolina Water requests that the Commission approve a bond pursuant to S.C. Code Ann. § 58-5-240(D) in the amount of \$501,133. This figure represents the additional annual revenue which Carolina Water would be entitled to earn if the Commission had granted the Company the additional revenue proposed in the ORS proposed order filed **October 6, 2011**. Attached hereto as petition Exhibit “2” is the schedule of rates and charges that Carolina Water would put into rates under bond. The rates to be put into effect under bond are those proposed by the ORS in its proposed order. However, the “pass-through” language set out in petition Exhibit “2” is the identical language approved by this Commission in Carolina Water’s existing tariff. Attached hereto as petition Exhibit “3” is a proposed bond form to be executed by a surety company authorized to do business in this state. Carolina Water submits that, based upon the additional amount of revenues which would be generated over and above those authorized in Order No. 2008-855 over a period of one year, a surety bond in the amount proposed is sufficient. Carolina Water therefore requests that the Commission approve the attached bond form to be posted during any appeal by Carolina Water in the event that the rates sought by the Company are not approved upon this petition for rehearing or reconsideration. Carolina Water further requests that the Commission allow Carolina Water to make any refunds required (if the rates put into effect are finally determined to be excessive) by crediting existing customers’ bills.

WHEREFORE, having set forth the proper grounds, Carolina Water requests that the Commission issue an order: (a) granting this petition for rehearing or reconsideration; (b) in the event that rehearing or reconsideration is not granted, approving the attached bond form to be conditioned upon the refund, by way of credits on existing customers' bills, if the rates put into effect are finally determined to be excessive; and (e) granting Carolina Water such other and further relief as is just and proper.

RESPECTFULLY SUBMITTED,



Charles L.A. Terreni
Terreni Law Firm, L.L.C.
1508 Lady Street
Columbia, South Carolina 29201
803-771-7228 (P)
803-771-8778(F)
charles.terreni@terrenilaw.com

Scott Elliott
Elliott & Elliott, P.A.
1508 Lady Street
Columbia, South Carolina 29201
803-771-0555 (P)
803-771-8010 (F)
selliott@elliottlaw.us

November 14, 2011

EXHIBIT 1

2011-47-WS Customer Testimony

Customer Count		Complaint Count							Percentages					
		B	BO	CS	SPO	R	WQ	O						
Subdivision	Premises	Water ERCs	Sewer ERCs	Total ERCs	Delayed/ Incorrect Bill	Boil Order	Customer Service	Sewer Problem/Odor	Rates	Water Quality	Other	Total	% of Premises	% of ERCs
ARROWHEAD ESTATES	37	37	0	37	0	0	0	0	0	0	0	0	0.00%	0.00%
BALLENTINE COVE	91	0	91	91	0	0	0	0	0	0	0	0	0.00%	0.00%
BLUE RIDGE	57	57	0	57	0	0	0	0	0	0	0	0	0.00%	0.00%
BRIGHTON FOREST/I-20	149	139	149	288	1	0	0	0	1	0	0	2	1.34%	0.69%
CALVIN ACRES	21	40	0	40	0	0	0	0	0	0	0	0	0.00%	0.00%
FALCON RANCHES	113	114	1	115	0	0	0	0	0	0	0	0	0.00%	0.00%
FORTY LOVE POINT	133	133	131	264	0	1	0	1	0	1	0	3	2.26%	1.14%
FRIARSGATE 1	3,203	0	3,293	3,293	0	0	0	0	0	0	0	0	0.00%	0.00%
GLEN VILLAGE/STONEBRIDGE	300	224	268	492	2	0	1	0	0	1	0	4	1.33%	0.81%
GOLDEN POND/I-20	362	358	347	705	1	0	0	0	1	1	0	3	0.83%	0.43%
GOVERNOR'S GRANT	339	0	339	339	0	0	0	0	0	0	0	0	0.00%	0.00%
GREYLAND FOREST/WDCASTLE(I-20)	322	316	312	628	2	0	2	0	1	2	0	7	2.17%	1.11%
HARBORSIDE	26	79	78	157	0	0	0	0	0	0	0	0	0.00%	0.00%
HEATHERWOOD	103	103	0	103	0	0	0	0	0	0	0	0	0.00%	0.00%
HIDDEN VALLEY CTRY CLUB	202	202	0	202	0	0	0	0	0	0	0	0	0.00%	0.00%
HIDDEN VALLEY TRL PK/MINERAL	3	52	75	127	0	0	0	0	0	0	0	0	0.00%	0.00%
HUNTER'S GLEN	97	99	0	99	1	0	0	0	0	0	0	1	1.03%	1.02%
IDLEWOOD	53	67	0	67	0	0	0	0	0	1	0	1	1.89%	1.49%
INDIAN FORK	94	77	90	167	0	0	0	0	1	0	0	1	1.06%	0.60%
INDIAN PINES	17	17	0	17	0	0	0	0	0	0	0	0	0.00%	0.00%
KINGSTON HARBOUR	6	0	6	6	0	0	0	0	0	0	0	0	0.00%	0.00%
LAKE MURRAY	40	35	39	74	0	0	0	0	0	0	0	0	0.00%	0.00%
LAKEWOOD ESTATES	89	89	0	89	0	0	0	0	0	0	0	0	0.00%	0.00%
LAUREL MEADOWS/I-20	320	327	320	646	0	0	0	0	0	0	0	0	0.00%	0.00%
LINCOLNSHIRE/WHITES CRK	275	0	275	275	0	0	0	0	0	0	0	0	0.00%	0.00%
NORTH LAKE SHORE POINT	25	0	25	25	0	0	0	0	0	0	0	0	0.00%	0.00%
OAK GROVE ESTATES/I-20	239	258	247	505	3	0	1	0	2	0	0	6	2.51%	1.19%
OAKLAND PLANTATION	264	0	321	321	0	0	0	0	0	0	0	0	0.00%	0.00%
OAKWOOD (I-20)	36	58	9	67	0	0	0	0	0	0	0	0	0.00%	0.00%
PALMETTO APARTMENTS	60	0	98	98	0	0	0	0	0	0	0	0	0.00%	0.00%
PEACHTREE ACRES	49	49	0	49	0	0	0	0	0	0	0	0	0.00%	0.00%
PLANTER'S STATION/I-20	169	168	166	334	2	0	1	0	1	1	0	5	2.96%	1.50%
POCALLA	177	102	176	278	0	0	0	0	0	0	0	0	0.00%	0.00%
RIVER HILLS	3,150	4,252	3,665	7,916	8	0	4	4	11	1	0	28	0.89%	0.35%
ROCK BLUFF	21	21	0	21	0	0	0	0	0	0	0	0	0.00%	0.00%
ROLLINGWOOD	194	191	102	293	1	1	0	0	1	1	0	4	2.06%	1.37%
ROOSEVELT GARDENS	5	0	164	164	0	0	0	0	0	0	0	0	0.00%	0.00%
SALEM CHURCH ROAD UTILITIES	198	0	198	198	0	0	0	0	0	0	0	0	0.00%	0.00%
SECRET COVE	93	0	93	93	0	0	0	0	0	0	0	0	0.00%	0.00%
SHADOWOOD COVE	124	0	124	124	0	0	0	0	0	0	0	0	0.00%	0.00%
SMALLWOOD ESTATES	119	119	115	234	0	0	0	0	0	0	0	0	0.00%	0.00%
SPRINGHILL/OAKCREST(I-20)	487	466	479	945	5	0	2	0	2	1	0	10	2.05%	1.06%
SPRINGLAKE/DUTCHWOOD(I-20)	126	126	126	252	0	0	0	0	0	0	0	0	0.00%	0.00%
STONEGATE (NORTH PINES)	146	146	143	289	0	0	0	0	0	0	0	0	0.00%	0.00%
SYCAMORE ACRES/I-20	81	83	0	83	0	0	0	0	0	0	0	0	0.00%	0.00%
THE LANDINGS	168	166	167	333	0	0	0	0	1	0	0	1	0.60%	0.30%
WATERGATE/SPENCE POINT/MALLARD SHORES	140	223	222	445	1	0	1	4	1	2	0	9	6.43%	2.02%
WESTSIDE TERRACE	67	67	0	67	0	0	0	0	0	0	0	0	0.00%	0.00%
WINDWARD POINT / HARBOUR PLACE	92	78	90	168	3	1	2	1	1	1	0	9	9.78%	5.36%
WOODSEN	89	0	89	89	0	0	0	0	0	0	0	0	0.00%	0.00%
GRAND TOTAL	12,771	9,133	12,631	21,764	30	3	14	10	24	13	0	94	0.74%	0.43%

0.001017931

2011-47-WS Customer Testimony

Complaints
 B Delayed/incorrect Bill
 BO Bill Order
 CS Customer Service
 SPO Sewer Problem/Odor
 R High Rates
 WQ Water Quality

Complaint No.	Customer No.	Date	Name	Subdivision	Complaint
1	1	13-Jul	Jeff Jordan	SPRINGHILL/OAKCREST(I-20)	B
2		13-Jul	Jeff Jordan	SPRINGHILL/OAKCREST(I-20)	CS
3		13-Jul	Jeff Jordan	SPRINGHILL/OAKCREST(I-20)	WQ
4	2	13-Jul	Chris Gordan	ROLLINGWOOD	B
5		13-Jul	Chris Gordan	ROLLINGWOOD	WQ
6		13-Jul	Chris Gordan	ROLLINGWOOD	BO
7		13-Jul	Chris Gordan	ROLLINGWOOD	R
8	3	13-Jul	James Manning	GOLDEN POND/I-20	R
9	4	13-Jul	Tom Callan	FORTY LOVE POINT	SPO
10		13-Jul	Tom Callan	FORTY LOVE POINT	WQ
11		13-Jul	Tom Callan	FORTY LOVE POINT	BO
12	5	13-Jul	Mark Lynn	GREYLAND FOREST/WDCASTLE(I-20)	R
13		13-Jul	Mark Lynn	GREYLAND FOREST/WDCASTLE(I-20)	CS
14	6	13-Jul	Tim Anderson	PLANTER'S STATION/I-20	WQ
15		13-Jul	Tim Anderson	PLANTER'S STATION/I-20	CS
16		13-Jul	Tim Anderson	PLANTER'S STATION/I-20	B
17	7	13-Jul	Jay Pittman	HUNTER'S GLEN	B
18		13-Jul	Jay Pittman	IDLEWOOD	WQ
19		13-Jul	Jay Pittman	INDIAN FORK	R
20	8	13-Jul	William Brown	WINDWARD POINT / HARBOUR PLACE	B
21	9	13-Jul	Leland Sullivan	WINDWARD POINT / HARBOUR PLACE	B
22		13-Jul	Leland Sullivan	WINDWARD POINT / HARBOUR PLACE	WQ
23		13-Jul	Leland Sullivan	WINDWARD POINT / HARBOUR PLACE	SPO
24		13-Jul	Leland Sullivan	WINDWARD POINT / HARBOUR PLACE	BO
25	10	13-Jul	Donna Forest	WATERGATE/SPENCE POINT/MALLARD SHORI	SPO
26		13-Jul	Donna Forest	WATERGATE/SPENCE POINT/MALLARD SHORI	B
27		13-Jul	Donna Forest	WATERGATE/SPENCE POINT/MALLARD SHORI	WQ
28	11	13-Jul	Lynn Moseley	GOLDEN POND/I-20	B
29		13-Jul	Lynn Moseley	GOLDEN POND/I-20	WQ
30	12	13-Jul	Julia Hess	OAK GROVE ESTATES/I-20	B
31	13	13-Jul	Kimberly Stamnir	OAK GROVE ESTATES/I-20	B
32		13-Jul	Kimberly Stamnir	OAK GROVE ESTATES/I-20	R
33	14	13-Jul	Steve Weston	GLEN VILLAGE/STONEBRIDGE	B
34		13-Jul	Steve Weston	GLEN VILLAGE/STONEBRIDGE	CS
35	15	13-Jul	Karen Laurimore	GREYLAND FOREST/WDCASTLE(I-20)	WQ
36	16	13-Jul	Kecia Harley	SPRINGHILL/OAKCREST(I-20)	B
37	17	13-Jul	Heleen Smith	GREYLAND FOREST/WDCASTLE(I-20)	B
38		13-Jul	Heleen Smith	GREYLAND FOREST/WDCASTLE(I-20)	WQ
39	18	13-Jul	Jean O'Connor	GLEN VILLAGE/STONEBRIDGE	B
40		13-Jul	Jean O'Connor	GLEN VILLAGE/STONEBRIDGE	WQ
41	19	13-Jul	Brian Taylor	SPRINGHILL/OAKCREST(I-20)	CS
42	20	4-Aug	Allen Nason	RIVER HILLS	SPO
43	21	4-Aug	Bartina Edwards	RIVER HILLS	SPO
44		4-Aug	Bartina Edwards	RIVER HILLS	CS
45		4-Aug	Bartina Edwards	RIVER HILLS	WQ
46	22	4-Aug	Bruce Henderson	RIVER HILLS	no specifics
47	23	4-Aug	Joe DePalma	RIVER HILLS	R
48	24	4-Aug	Roy Baker	RIVER HILLS	SPO
49	25	4-Aug	Pat Duffy	RIVER HILLS	B
50	26	4-Aug	Teresa Berenyi	RIVER HILLS	R
51		4-Aug	Teresa Berenyi	RIVER HILLS	CS
52	27	4-Aug	Pam Horack	RIVER HILLS	B
53	28	4-Aug	Mike Lloyd	RIVER HILLS	R
54	29	4-Aug	Winston Martinez	RIVER HILLS	B
55		4-Aug	Winston Martinez	RIVER HILLS	R
56	30	4-Aug	Missy Myers	RIVER HILLS	B
57		4-Aug	Missy Myers	RIVER HILLS	CS
58	31	4-Aug	Don Long	RIVER HILLS	B
59	32	4-Aug	Charles Wood	RIVER HILLS	R
60	33	4-Aug	Stanley Tomicki	RIVER HILLS	R
61	34	4-Aug	Dave Harris	RIVER HILLS	R
62	35	4-Aug	Charly Kimmel	RIVER HILLS	B
63		4-Aug	Charly Kimmel	RIVER HILLS	R
64	36	4-Aug	Jay Moore	RIVER HILLS	B
65	37	4-Aug	John Bacie	RIVER HILLS	R
66	38	4-Aug	Peggy Upchurch	RIVER HILLS	R
67	39	4-Aug	Sharon Smith	RIVER HILLS	CS
68		4-Aug	Sharon Smith	RIVER HILLS	SPO
69	40	4-Aug	Roger Schwartz	RIVER HILLS	B
70	41	4-Aug	Thad Babyak	RIVER HILLS	R
71	42	7-Sep	Peggy Burbage	OAK GROVE ESTATES/I-20	CS
72	43	7-Sep	Kelly Lewis	WINDWARD POINT / HARBOUR PLACE	CS
73		7-Sep	Kelly Lewis	WINDWARD POINT / HARBOUR PLACE	B
74	44	7-Sep	Miriam Berry	SPRINGHILL/OAKCREST(I-20)	B
75	45	7-Sep	Reed Bull	THE LANDINGS	R
76	46	7-Sep	Weaver Grayson	GREYLAND FOREST/WDCASTLE(I-20)	B
77		7-Sep	Weaver Grayson	GREYLAND FOREST/WDCASTLE(I-20)	CS
78	47	7-Sep	Trent Muldrow	OAK GROVE ESTATES/I-20	B
79		7-Sep	Trent Muldrow	OAK GROVE ESTATES/I-20	R
80	48	7-Sep	Michael Watford	BRIGHTON FOREST/I-20	R
		7-Sep	Michael Watford	BRIGHTON FOREST/I-20	B
		7-Sep	Leslie Hendrix	N/A	no specifics
81	49	7-Sep	James Klugh	WATERGATE/SPENCE POINT/MALLARD SHORI	SPO
82	50	7-Sep	Russell Stocker	WINDWARD POINT / HARBOUR PLACE	B
83		7-Sep	Russell Stocker	WINDWARD POINT / HARBOUR PLACE	CS
84	51	7-Sep	Jake Brackett	SPRINGHILL/OAKCREST(I-20)	R
85	52	7-Sep	David Nielson	WATERGATE/SPENCE POINT/MALLARD SHORI	SPO
86	53	7-Sep	Claire Fort	WATERGATE/SPENCE POINT/MALLARD SHORI	SPO
87		7-Sep	Claire Fort	WATERGATE/SPENCE POINT/MALLARD SHORI	WQ
88		7-Sep	Claire Fort	WATERGATE/SPENCE POINT/MALLARD SHORI	R
89		7-Sep	Claire Fort	WATERGATE/SPENCE POINT/MALLARD SHORI	CS
90	54	7-Sep	Susan Davis	SPRINGHILL/OAKCREST(I-20)	B
91	55	7-Sep	Albert Orr	PLANTER'S STATION/I-20	R
92		7-Sep	Albert Orr	PLANTER'S STATION/I-20	B
93	56	7-Sep	Beverly Pinnell	SPRINGHILL/OAKCREST(I-20)	R
94		7-Sep	Beverly Pinnell	SPRINGHILL/OAKCREST(I-20)	B

EXHIBIT 2

APPENDIX A

CAROLINA WATER SERVICE, INC.

FILED PURSUANT TO DOCKET NO. 2011-47-WS - ORDER NO. 2011-
EFFECTIVE DATE: NOVEMBER __, 2011

SCHEDULE OF RATES AND CHARGES

WATER

1. Monthly Charges

Residential

Base Facilities Charge per single family
house, condominium, mobile home or
apartment unit: \$12.16 per unit

Commodity charge: \$3.89 per 1,000
gallons or 134 cft

Commercial

Base Facilities Charge
by meter size:

5/8 meter	\$12.16
1"	\$31.81
1.5	\$63.63
2"	\$101.80
3"	\$190.89
4"	\$318.14

Commodity Charge \$3.89 per 1,000
gallons or 134 cft

Charges for Water Distribution Only

Where water is purchased from a government body or agency or other entity for
distribution and resale by the Company, the following rates apply:

Residential

Base Facilities Charge per single family house, condominium, mobile home or apartment unit:	\$ 12.16 per unit
Commodity charge:	\$2.23 per 1,000 gallons or 134 cft

Commercial

Base Facilities Charge by meter size:		
	5/8" meter	\$12.16
	1"	\$31.81
	1.5"	\$63.63
	2"	\$101.80
	3"	\$190.89
	4"	\$318.14
Commodity charge:		\$2.23 per 1,000 gallons or 134 cft

The Utility will also charge for the cost of water purchased from the government body or agency, or other entity. The charges imposed or charged by the government body or agency, or other entity providing the water supply will be charged to the Utility's affected customers on a pro rata basis without markup. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/ impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup.

Commercial customers are those not included in the residential category above and include, but are not limited to hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

2. Nonrecurring Charges

A. Water Service Connection (New connections only) \$300 per SFE*

B. Plant impact Fee (New connections only) \$400 per SFE*

The Plant Capacity Fee reflects the portion of plant capacity which will be used to provide service to the new customers as authorized by Commission Rule R. 103-702.13. Plant capacity shall be computed by using the South Carolina DHEC "Guide Lines for Unit Contributory Loadings to Wastewater Treatment Facilities" (1972) to determine the single family equivalency rating. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing water production, treatment and/or distribution facilities that are essential to provide adequate water service to the new customer's property.

C. Water Meter

5/8 inches x 3/4 inches meter \$100 when installed by the Utility

3. Account Set-Up and Reconnection Charges

A. Customer Account Charge - for new customers only.
All Areas \$30.00

B. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of thirty five dollars (\$35.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in

Commission Rule R. 103-732.5. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

6. Cross Connection Inspection Fee

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.8, as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30th of each year. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed

certified tester and add the charges incurred by the Utility in that regard to the customer's next bill.

* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities - 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

SEWER

1. Monthly Charges

Residential - charge per single-family house, condominium, villa, or apartment unit:	\$40.56 per unit
Mobile Homes:	\$28.88 per unit
Commercial:	\$40.56 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Charge for Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity, for treatment, the Utility's rates are as follows:

Residential - per single-family house, condominium, or apartment unit	\$26.73 per unit
Commercial - per single-family equivalent	\$26.73 per SFE*

Charge for Wholesale Service (Midlands Utility) \$18.78 per SFE

The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charges

At such time as the Utility determines through its inspection that excessive solids have accumulated in the interceptor tank, the Utility will arrange for the pumping tank and will include \$150.00 as a separate item in the next regular billing to the customer.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one year period.

C Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such a visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

2. Nonrecurring Charges

A. Sewer Service Connection (New connections only) \$300 per SFE*

B. Plant Capacity Fee (New connections only) \$400 per SFE*

The Plant Capacity Fee shall be computed by using South Carolina DHEC "Guide Lines for Unit Contributory Loadings to Wastewater Treatment Facilities" (1972) to determine the single family equivalency rating. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing treatment and/or collection system facilities that are essential to provide adequate treatment and disposal of the wastewater generated by the development of the new property.

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. Notification, Account Set-Up and Reconnection Charges

A. Notification Fee

A fee of fifteen (\$15.00) dollars shall be charged each customer to whom the Utility mails the notice as required by the Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

B. Customer Account Charge - for new customers only.

All Areas \$30.00

A one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

C. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of two hundred fifty (\$250.00) dollars shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R. 103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due.

Customers who ask to be reconnected within nine months of disconnected will be charged the monthly service charge for the service period they were disconnected.

4. Billing Cycle

Recurring charges will be billed monthly, in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

6. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system.

In no event will the Utility be required to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility

first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities —25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

EXHIBIT 3

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2011-47-WS

IN RE: Application of Carolina Water Service,)	
In its Rates for Water and Sewer Services)	
Provided to All of Its Service Areas in)	BOND
South Carolina)	
_____)	

KNOW ALL PEOPLE BY THESE PRESENTS, that Carolina Water Service, Inc. as principal and _____ Insurance Company, a corporation under the laws of the State of _____, duly authorized to transact business in the State of South Carolina as surety, are held and firmly bound unto the customers of Carolina Water Service, Inc. affected by Order No. _____ of the Public Service Commission, dated _____, and any Order denying reconsideration thereof, issued in the above-captioned proceeding, for the sum of _____ and no/100s Dollars (\$_____) in lawful money of the United States of America, for payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that if the Commission Orders under appeal are ultimately determined to be valid and enforceable, then, Carolina Water Service, Inc. hereby promises to refund amounts it has collected in excess of the amounts finally determined to be correct under the appropriate rate schedules. Any such refunds shall include interest as provided by law.

SIGNED, sealed and dated this _____ day of _____, 2011.

As to Principal

Carolina Water Service, Inc.

Witness

ATTEST:

Witness

As to Surety

Insurance Company

Witness

Witness

WITNESS AS TO PRINCIPAL

STATE OF _____

_____ County

Before me, the subscribing Notary Public, personally appeared _____ and made oath that he/she saw the within named Carolina Water Service, Inc. represented by sign, seal, and deliver the within Bond, and that he/she with _____ subscribed their names as witness thereto.

Sworn to and subscribed before
me this ____ day of _____, 2011.

(L.S.)
Notary Public

WITNESS AS TO SURETY

STATE OF _____

_____ County

Before me, the subscribing Notary Public, personally appeared _____ and made oath that he/she saw the within named _____ Company represented by sign, sign, seal, and deliver the within Bond, and that he/she with _____ subscribed their names as witness thereto.

Sworn to and subscribed before
me this ____ day of _____, 2011.

(L.S.)
Notary Public

CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading(s) indicated below electronically and by United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below

RE: Application of Carolina Water Service, Inc. for adjustment of rates and charges and modification of certain terms and conditions for the provision of water and sewer service

DOCKET NO.: 2011-47-WS

PARTIES SERVED:

Nanette S. Edwards, Esquire
Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29211

Laura P. Valtorta, Esquire
Forty Love Point Homeowners' Association
903 Calhoun Street
Columbia, SC, 29201

Charles Cook, Esquire
Cook Law Firm
6806 Pine Tree Circle
Columbia, SC, 29206

PLEADING: Petition for Rehearing

November 14, 2011


Jackie C. Livingston
Paralegal to Scott Elliott